

GTN Textiles Limited

November 24, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	12.43	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	58.30	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	70.73 (Rs. Seventy Crore and Seventy- Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had vide its press release dated December 24, 2019 placed the rating of GTN Textiles Limited (GTN) under the issuer non cooperating category as it had failed to provide information for monitoring of the rating. GTN continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated November 19, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings).

Detailed description of the key rating drivers

At the time of last rating on December 24, 2019 the following were the rating strengths and weaknesses. (Updated for the information available from Stock exchange)

Key Rating Weakness

Net loss reported: During FY20, the total operating income dropped to Rs.131.4 crore from Rs.154.11 crore in FY19. The PBILDT margin also declined to 0.33% in FY20 as against 2.72% in FY19. The company reported net loss of Rs.8.7 crore in FY20 as against net loss of Rs.7.3 crore in FY19.

Weak Financial profile: The overall gearing of the company stood weak at 357 times as on March 31, 2020 (PY: 7.36 times). The interest coverage declined from 1.46x in FY19 to 0.05x in FY20

Inherent volatility associated with the raw material and its impact on profitability: The profitability of spinning mills depends largely on the prices of cotton and cotton yarn which are governed by various factors such as area under cultivation, monsoon, international demand-supply situation, etc. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company. In the past five years, profitability margins of GTL have been volatile.

Key Rating Strengths

Established track record of operations through an experienced management team: GTL is a part of the GTN-BKP group which is operating three textile mills with a total spinning capacity of around 2,15,000 spindles. The promoters have an established track record for over 45 years.

Synergy of operations among group companies: Major activities such as procurement, marketing and allocation of orders to different units are done at group level. Companies are likely to benefit from this synergy of operations.

Liquidity-Poor

Poor liquidity marked by lower accruals when compared to repayment obligations, fully utilized bank limits and modest cash balance. This could constrain the ability of the company to repay its debt obligations on a timely basis. GTN has availed moratorium offered by banks as a relief measure for covid-19 pandemic for the period March – August 2020.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

Criteria on assigning 'Outlook' and 'credit watch' to credit ratings

Financial ratios – Non-Financial Sector

CARE's Policy on Default Recognition

Liquidity Analysis of Non-Financial sector entities

Rating Methodology for Cotton Textile Manufacturing

About the Company

The primary business activity of GTN Textiles Ltd (GTL) is production and sale of cotton yarn. GTL is part of Kerala-based GTN-BKP (GTN-BK Patodia) having its production facilities in the state of Kerala. GTN Textiles Limited (GTL) had a capacity of 56,848 spindles which includes 34,896 compact spindles and 21,952 ring spinning as on March 31, 2018. The company produces fine and super fine counts of cotton yarn in the range of 40s to 140s.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	154.11	131.4
PBILDT	4.20	0.44
PAT	(7.3)	(8.73)
Overall gearing (times)	7.36	357
Interest coverage (times)	0.46	0.05

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Please refer Annexure-2

Covenants of rated instrument / facility: Not Applicable

Complexity level of various instruments rated for this company: Annexure-3

Annexure 1: Details of instruments/facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2020	4.03	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-EPC/PSC	-	-	-	29.80	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	28.50	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	8.40	CARE B; Stable; ISSUER NOT COOPERATING*

Annexure 2: Rating History for last three years.

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	4.03	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (24-Dec-19)	1)CARE B; Stable (27-Nov-18)	1)CARE D (04-Dec-17)
2.	Fund-based - ST-EPC/PSC	ST	29.80	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Dec-19)	1)CARE A4 (27-Nov-18)	1)CARE A4 (04-Dec-17)
3.	Non-fund-based - ST-BG/LC	ST	28.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Dec-19)	1)CARE A4 (27-Nov-18)	1)CARE A4 (04-Dec-17)
4.	Fund-based - LT-Cash Credit	LT	8.40	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (24-Dec-19)	1)CARE B; Stable (27-Nov-18)	-

Annexure 3: Complexity level of instruments rated for the company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-EPC/PSC	Simple
4.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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